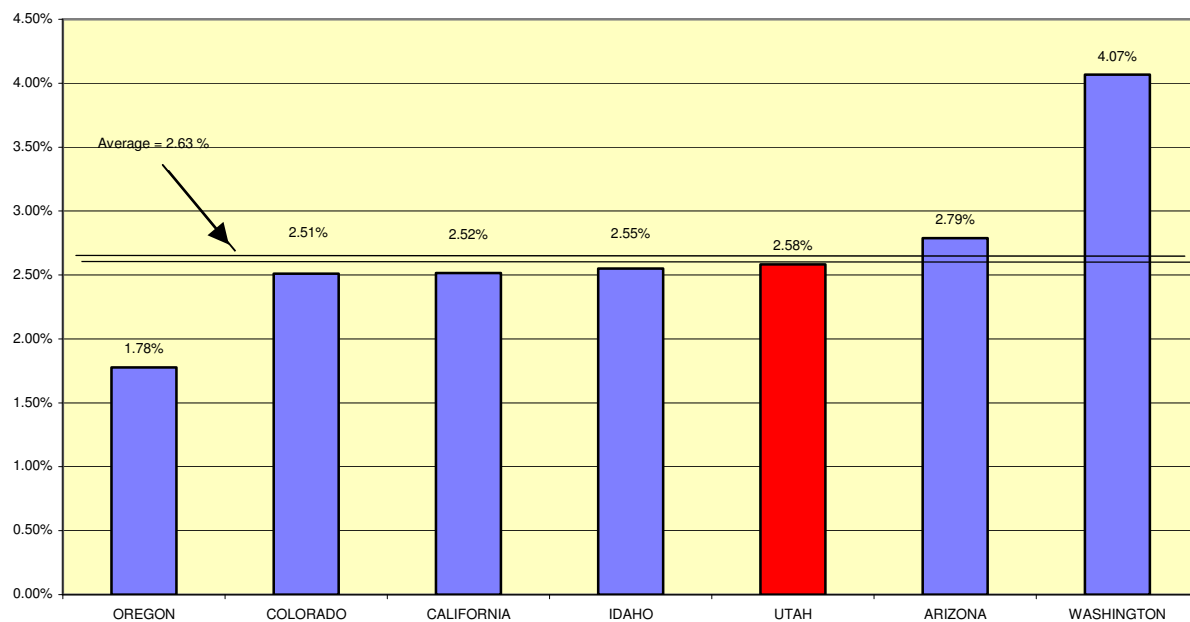


# WESTERN STATES' TAX BURDENS

## FISCAL YEAR 2002-2003

Initial State and Local Tax Burdens for Selected Western States



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# **EXECUTIVE SUMMARY**

## **2002-03 WESTERN STATES' TAX BURDEN**

1. Utah's state and local taxes paid by businesses as a percentage of Gross State Product (GSP) dropped 0.22 percent to 2.58 percent of GSP since 1999-2000, saving businesses \$157 million (Table 1, Figure 1). The fall in tax burden came mainly in corporate franchise and sales taxes, not property taxes. The 2.58 percent of GSP business tax burden ranks Utah third among the seven Western states we studied (which have competitive tax systems). Utah's business tax burden fits in a tight range between 2.52 percent and 2.79 percent of GSP with five of the seven states we studied.
2. Washington State maintained the highest level of initial taxes paid by business. Its business tax burden of 4.07 percent of GSP fell slightly by 0.08 percent, as the recession pushed up unemployment taxes but failed to decrease its Business and Occupation tax and business property taxes. The remaining six states incurred significantly declining business income taxes during the three-year recession-hit period. All of these employ corporate net income taxes, which were more elastic with respect to economic slowdowns, compared to Washington's gross receipts tax on business. Lower effective tax rates dropped business taxes by \$1.9 billion in California, \$517 million in Arizona, \$352 million in Oregon, \$265 million in Colorado, \$190 million in Washington, \$167 million in Idaho, and \$157 million in Utah between fiscal years 1999-2000 and 2002-2003.
3. Even though Utah's household tax burden fell from 8.3 percent of personal income to 7.61 percent between 1999-2000 and 2002-2003, it remained the highest household tax burden among the seven Western states studied (Table 1, Figure 2). Utahns paid \$386 million less at the lower 2002-2003 burden, or \$518 per household. Personal income and estate taxes fell from \$1.72 billion in FY2000 to \$1.61 billion in FY2003 as capital gains and other income sources slowed down due to the recession.
4. On the other hand, Utah's extra household tax burden (7.61% compared to the Western state average 6.49% of income) cost its households \$626 million more per year to fund necessary government functions, or an additional \$841 per household. Utah's highest tax burden is likely due to its highest school-age dependency ratio which places heavier demands for public expenditures, particularly for schools, relative to the other Western states.

5. Other significant decreases in household tax burdens over the three-year period occurred in:

➤ California – where household tax burden fell from 7.87 percent of income in 1999-2000 to 7.16 percent of income in 2002-2003, due in part to declining personal income taxes on capital gains and stock options. Highlighting California's revenue problems, personal income and estate taxes, which were up to \$40.5 billion in 1999-2000, fell to \$33.1 billion in 2002-2003.

➤ Arizona – where the household tax burden fell almost a full percentage point from 7.07 percent of income in 1999-2000 to 6.15 percent of income in 2002-2003. This near 1 percent drop spelled tax savings of \$1.3 billion to Arizona households (almost \$652 per household). In addition to declining capital gains, Arizona lowered its personal income tax rates during the three-year span.

➤ Colorado – where household tax burden fell from 6.48 percent of income in 1999-2000 to 6.06 percent, also due in part to the drop off in personal income taxes on capital gains. The 0.42 of 1 percent drop in burden saved Colorado taxpayers \$718 million.

➤ Idaho – where the household burden fell 1.3 percent from 7.78 percent of income to 6.47 percent of income. This saved Idaho households \$440 million.

➤ Oregon – where the household burden fell 0.35 percent of income, saving Oregonians \$352 million.

6. Despite declines in stock options and capital gains and slowdowns or downright declines in employment, property taxes went up in all of the seven states. In five of the states [California (23%), Colorado (25%), Oregon (22%), Utah (19%) and Washington (18%)] property taxes rose close to 20 percent between fiscal years 1999-2000 and 2002-2003. In total, property taxes rose 21.4 percent in the seven Western states, compared to 15 percent gains in GSP and personal income over the past three fiscal years. Usually property taxes lag the economy by one year, but during this recession real estate values and homebuilding have continued to rise unabated due to record low interest rates.

Table 1.

	PERSONAL INCOME*	HOUSEHOLDS#	INCOME Per Household	RANK	STATE & LOCAL TAXES\ HOUSEHOLD	HOUSEHOLD TAXES OF INCOME	RANK AS A %	GROSS STATE PRODUCT^	BUSINESS TAXES AS A % OF GSP	TOTAL TAXES % GSP
	[\$Millions]	[Millions]	[Average]					[2002,\$Mil.]		
	2002	2002	[Median]**							
ARIZONA	\$142,725	2.014	\$70,866	6	\$4,361	6.15%	5	\$160,400	2.79%	8.26%
			\$41,554					(\$517)	2	4
CALIFORNIA	\$1,155,247	11.705	\$98,697	1	\$7,068	7.16%	2	\$1,422,756	2.52%	8.33%
			\$48,114					(\$1,919)	5	3
COLORADO	\$149,481	1.804	\$82,861	3	\$5,025	6.06%	6	\$176,281	2.51%	7.65%
			\$49,617					(\$265)	6	6
IDAHO	\$33,585	0.489	\$68,681	7	\$4,446	6.47%	4	\$41,608	2.55%	7.77%
			\$38,613					(\$167)	4	5
OREGON	\$100,481	1.409	\$71,314	5	\$4,822	6.76%	3	\$138,768	1.78%	6.67%
			\$42,704					(\$352)	7	7
UTAH	\$55,953	0.745	\$75,105	4	\$5,718	7.61%	1	\$72,372	2.58%	8.47%
			\$48,537					(\$157)	3	2
WASHINGTON	\$198,221	2.359	\$84,028	2	\$4,381	5.21%	7	\$227,517	4.07%	8.61%
			\$44,252					(\$190)	1	1
AVERAGE			\$78,793		\$5,117	6.49%			2.68%	7.97%
Standard deviation			\$18,599		\$985	0.73%		GDP Price Deflator=	0.64%	0.62%
AVERAGE Median			\$44,770					1.1066		

\*Survey of Current Business, BEA 9/2003, D-66

^Precis, Economy.com, Aug2003

\*\*www

w.cen

sus.g

ov/hh

#www.census.gov/acses

Table 2.

(In Millions of Dollars)

	INCOME & ESTATE TAXES	PROP- ERTY TAX	GENERAL SALES TAX	TOURIST TAXES	SELECTIVE SALES TAX	SEVER- ANCE TAXES	UNEMPLOY- MENT INSURANCE TAX	TOTAL MAJOR TAXES
<b>ARIZONA</b>								
BUSINESS	389	1,864	1,677		388	1	152	4,471
HOUSEHOLDS	2,192	1,979	3,436		1,177			8,784
TOTAL	2,582	3,843	5,113	0	1,565	1	152	13,255
(% Business)	15%	49%	30%		25%	100%	100%	34%
<b>CALIFORNIA</b>								
BUSINESS	6,700	11,860	11,233	275	2,523	28	3,165	35,784
HOUSEHOLDS	33,137	16,663	24,666	275	7,991			82,732
TOTAL	39,837	28,524	35,899	549	10,514	28	3,165	118,516
(% Business)	17%	42%	31%	50%	24%		100%	30%
<b>COLORADO</b>								
BUSINESS	199	2,379	1,225	1	385	32	202	4,424
HOUSEHOLDS	3,290	1,995	2,626	1	1,154			9,066
TOTAL	3,489	4,374	3,851	3	1,539	32	202	13,490
(% Business)	6%	54%	32%	50%	25%	100%	100%	33%
<b>IDAHO</b>								
BUSINESS	93	426	301	5	128	0	107	1,061
HOUSEHOLDS	853	543	535	5	238			2,174
TOTAL	946	969	836	11	366	0	107	3,235
(% Business)	10%	44%	36%	50%	35%	100%	100%	33%
<b>OREGON</b>								
BUSINESS	225	1,309	0	31	333	25	543	2,465
HOUSEHOLDS	4,073	1,971	0	31	719			6,795
TOTAL	4,298	3,280	0	63	1,052	25	543	9,260
(% Business)	5%	40%		50%	32%	100%	100%	27%
<b>UTAH</b>								
BUSINESS	161	706	633	15	236	33	87	1,870
HOUSEHOLDS	1,606	893	1,385	15	361			4,260
TOTAL	1,766	1,599	2,018	29	597	33	87	6,129
(% Business)	9%	44%	31%	50%	39%	100%	100%	31%
<b>WASHINGTON</b>								
BUSINESS	1,923	2,511	3,111	35	534	38	1,100	9,252
HOUSEHOLDS	122	3,467	4,667	69	2,008			10,334
TOTAL	2,045	5,978	7,778	104	2,543	38	1,100	19,586
(% Business)	94%	42%	40%	33%	18%	100%	100%	47%
<b>TOTAL - 7 Selected States</b>								
BUSINESS	\$9,690	\$21,055	\$18,212	\$362	\$4,527	\$157	\$5,356	\$59,327
HOUSEHOLDS	\$45,273	\$27,511	\$37,346	\$396	\$13,648	\$0	\$0	\$124,144
TOTAL	\$54,963	\$48,567	\$55,558	\$758	\$18,175	\$157	\$5,356	\$183,471
(Avg. % Bus.)	22%	45%	32%	47%	28%	100%	100%	33%

Figure 1. Initial

Business Tax  
Burdens, Selected  
Western States,  
Fiscal Year 2002-  
2003.

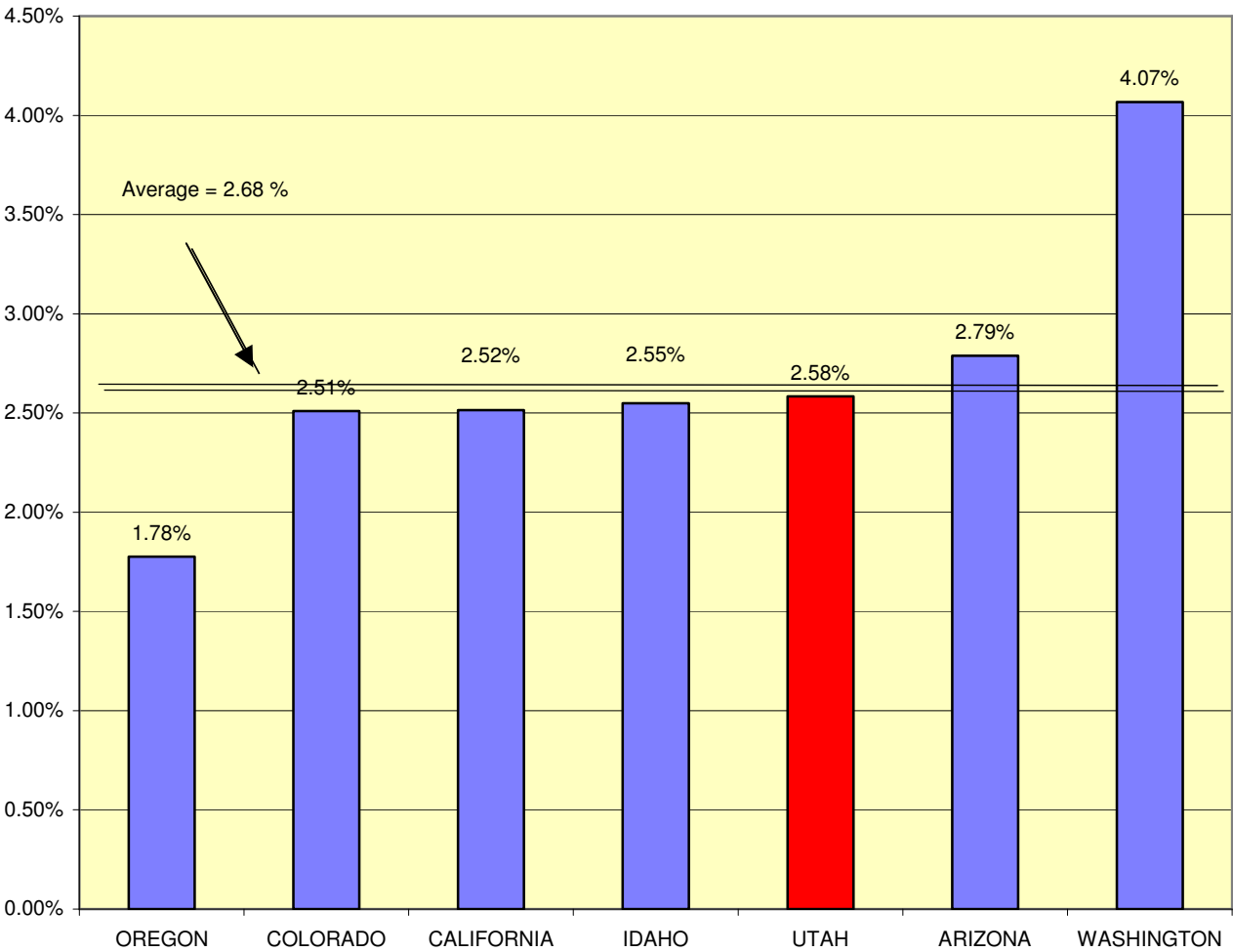
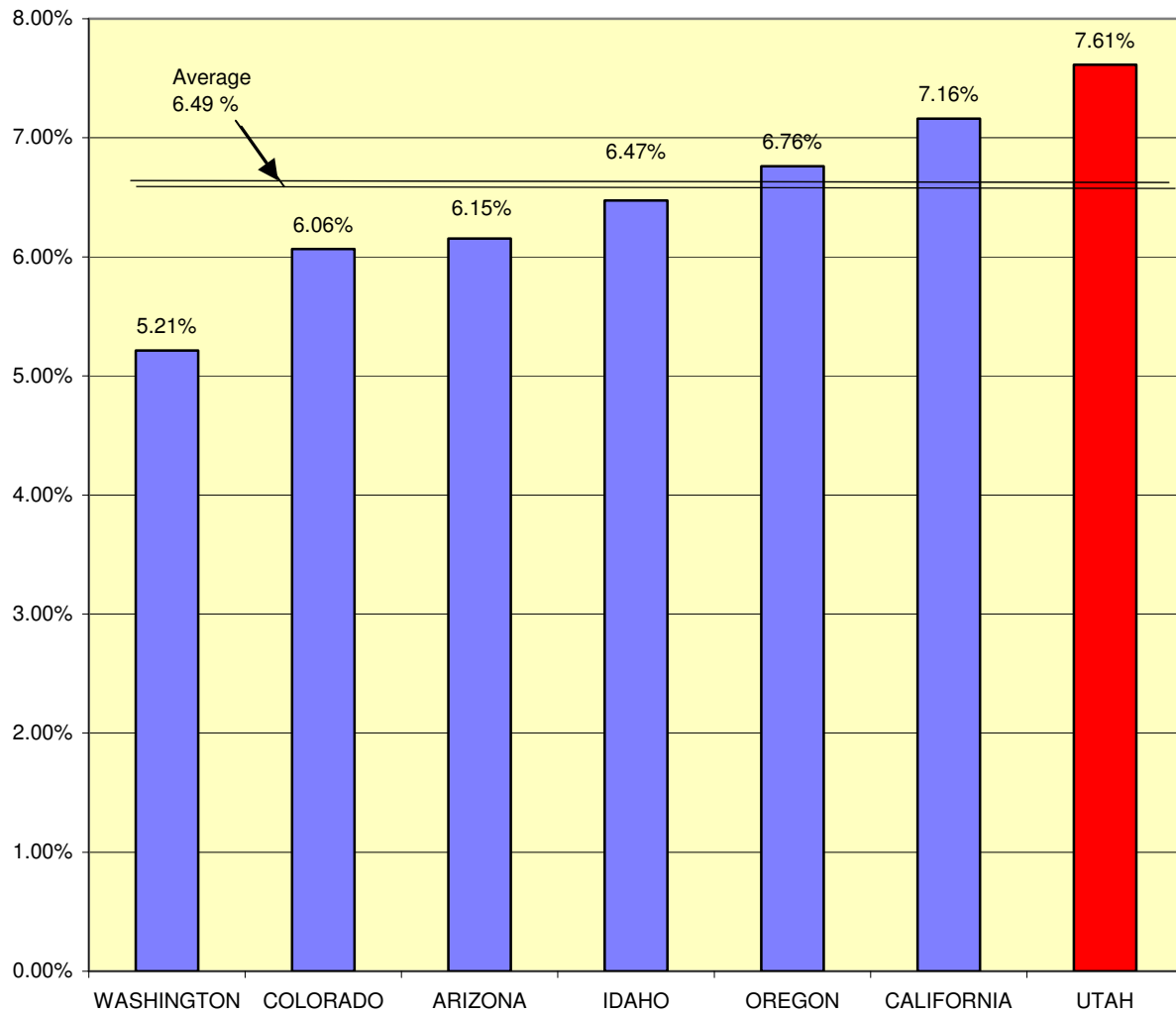
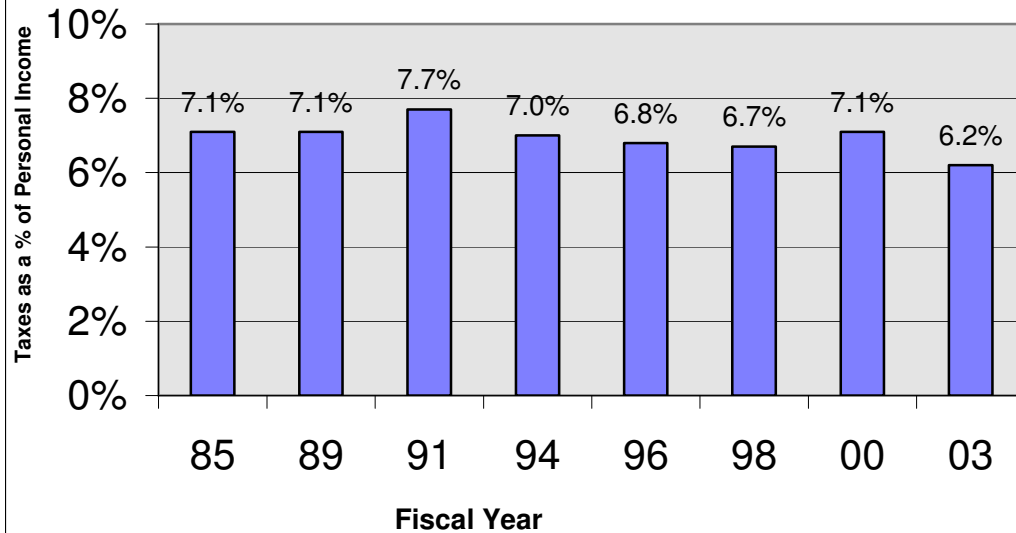


Figure 2. Household Tax Burdens, Selected Western States, Fiscal Year 2002-2003

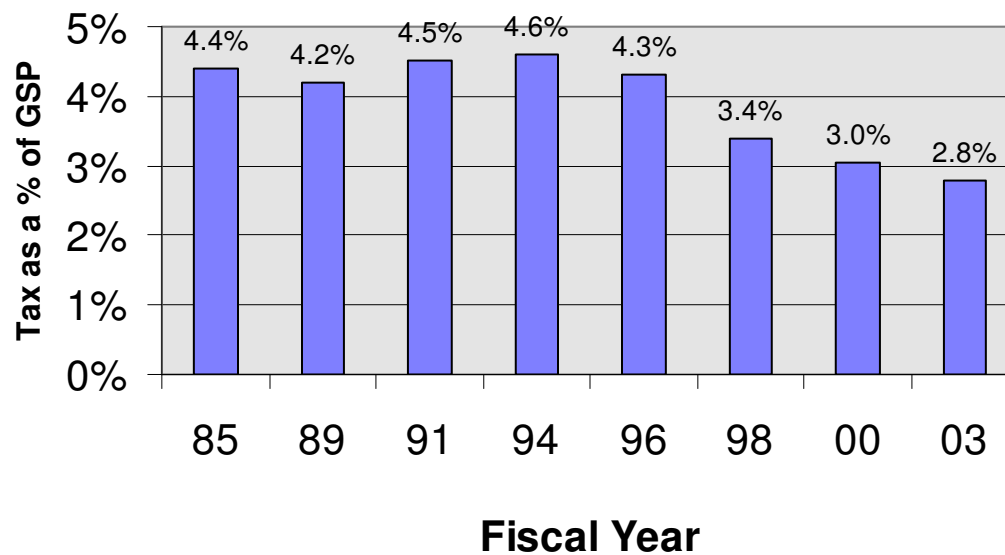




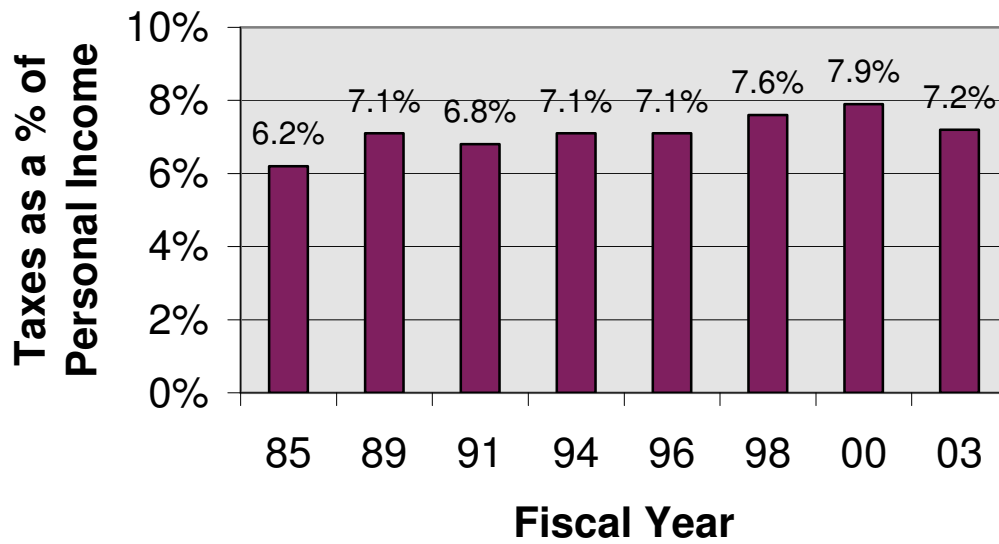
## Arizona Household Tax Burdens



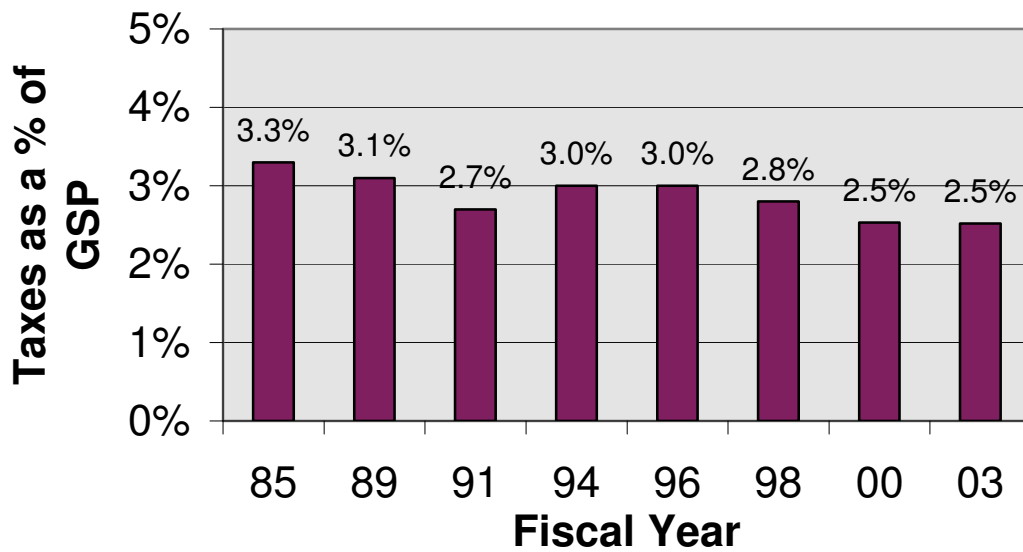
## Arizona Business Tax Burdens



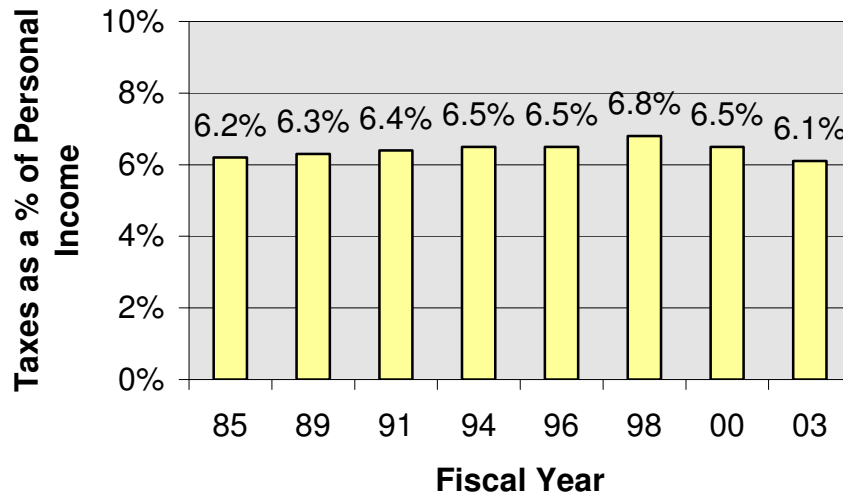
### California Household Tax Burdens



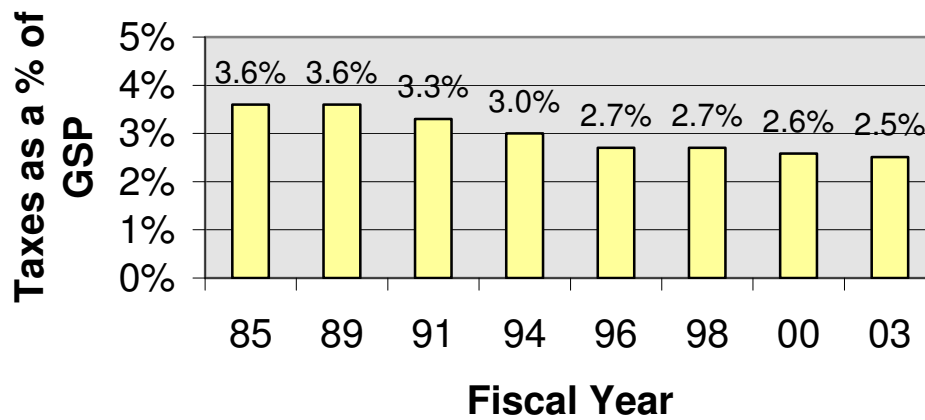
### California Business Tax Burdens



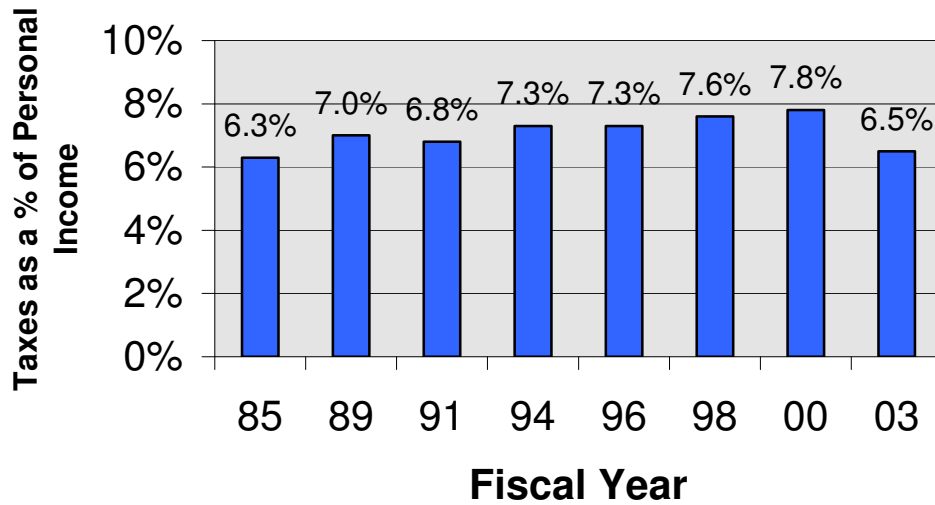
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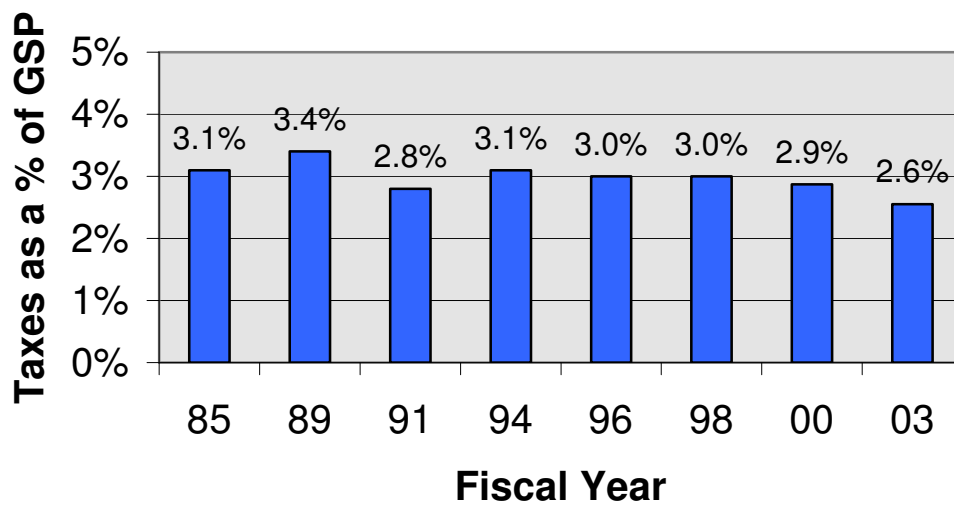
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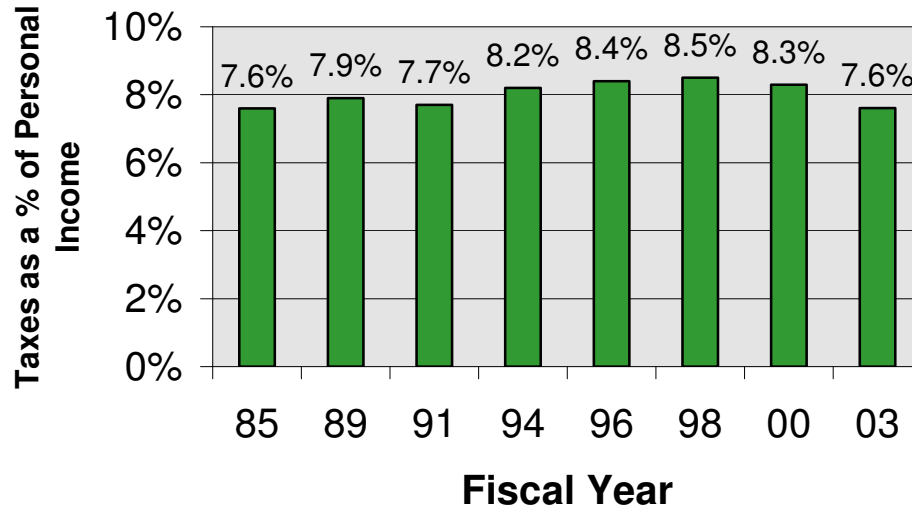
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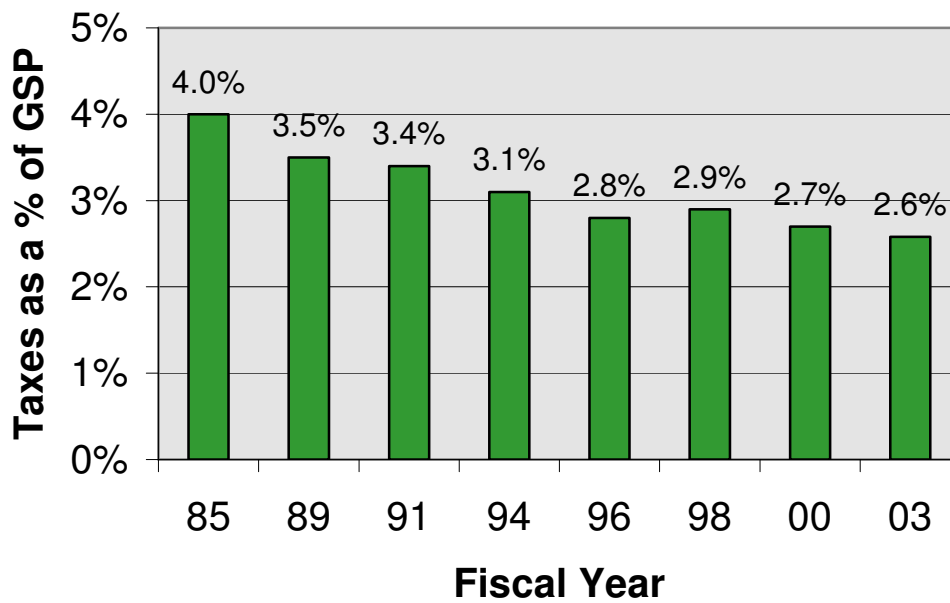
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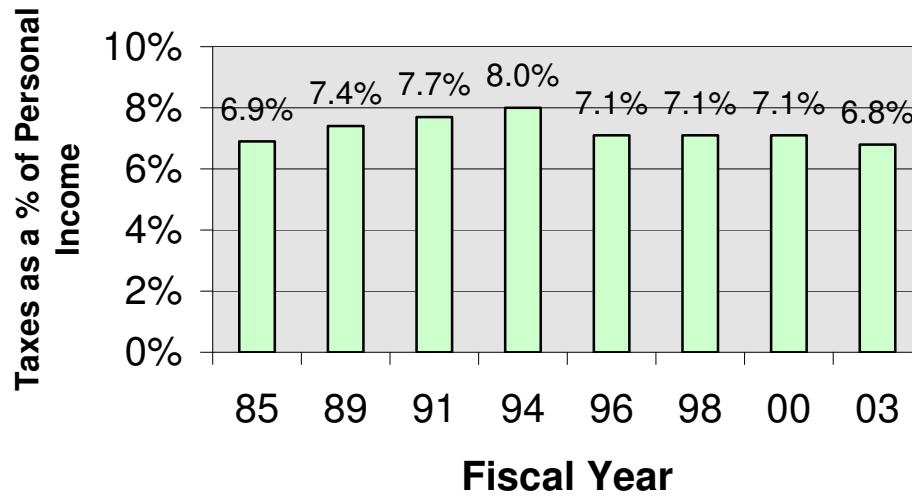
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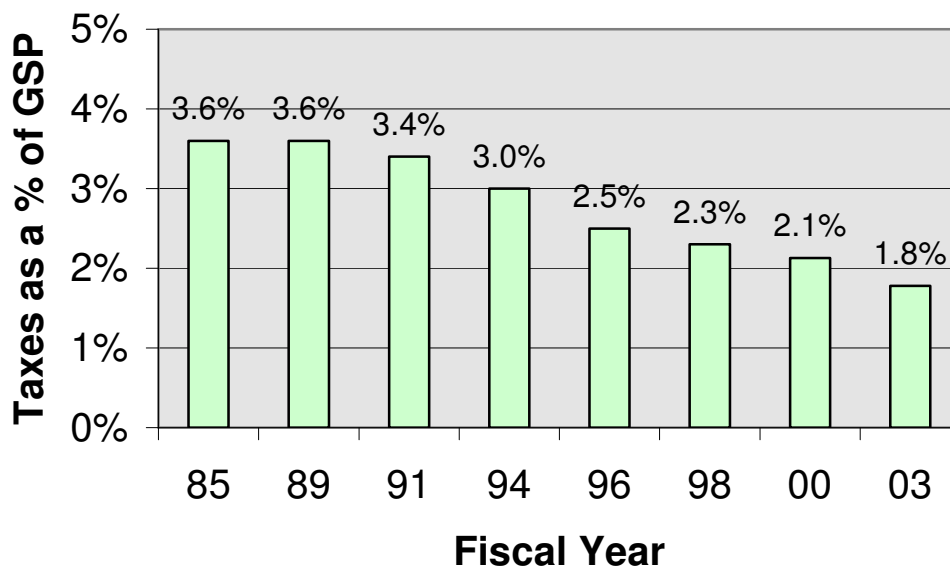
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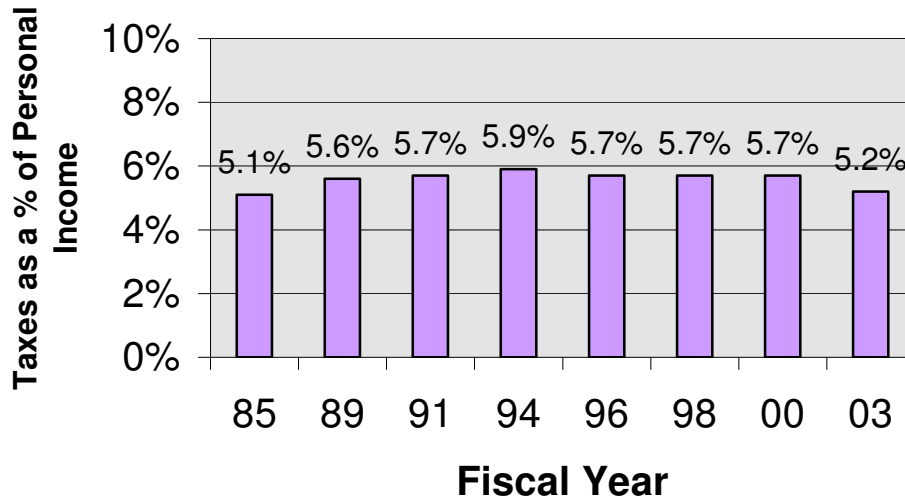
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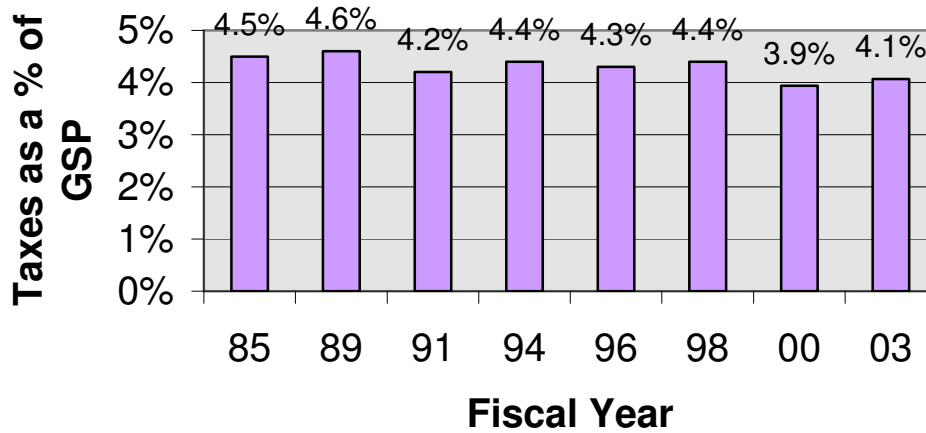
### Oregon Business Tax Burdens



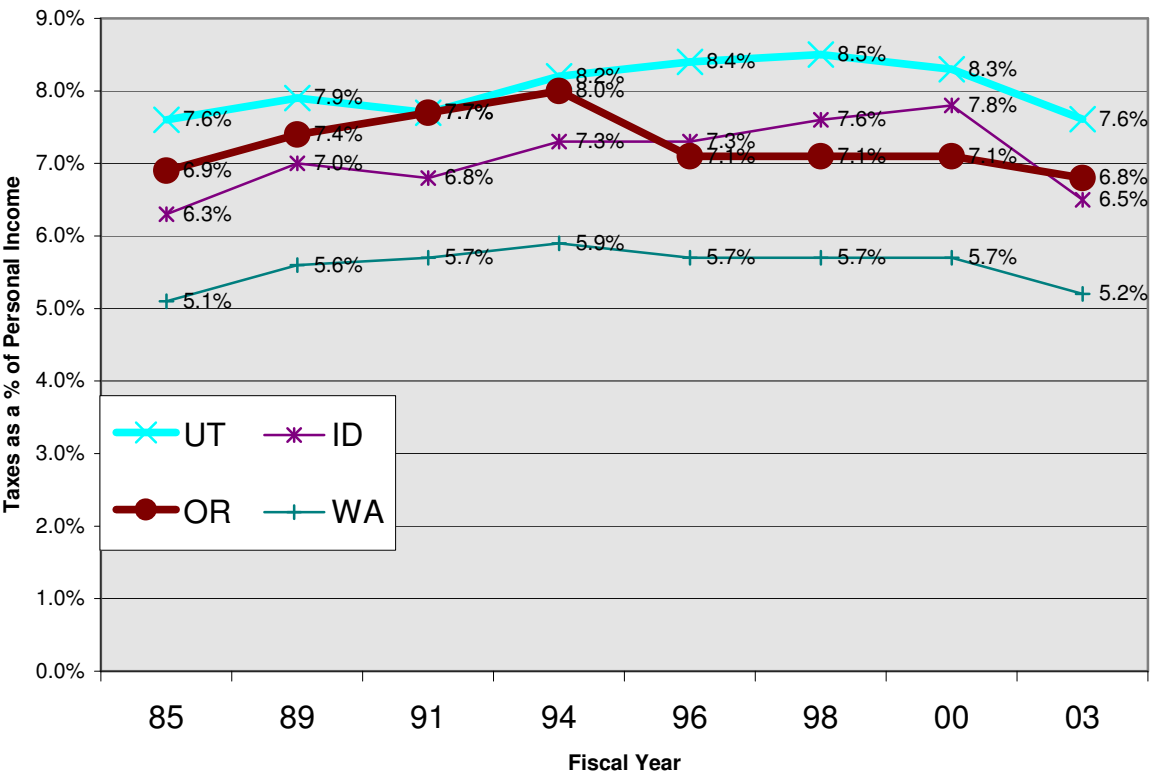
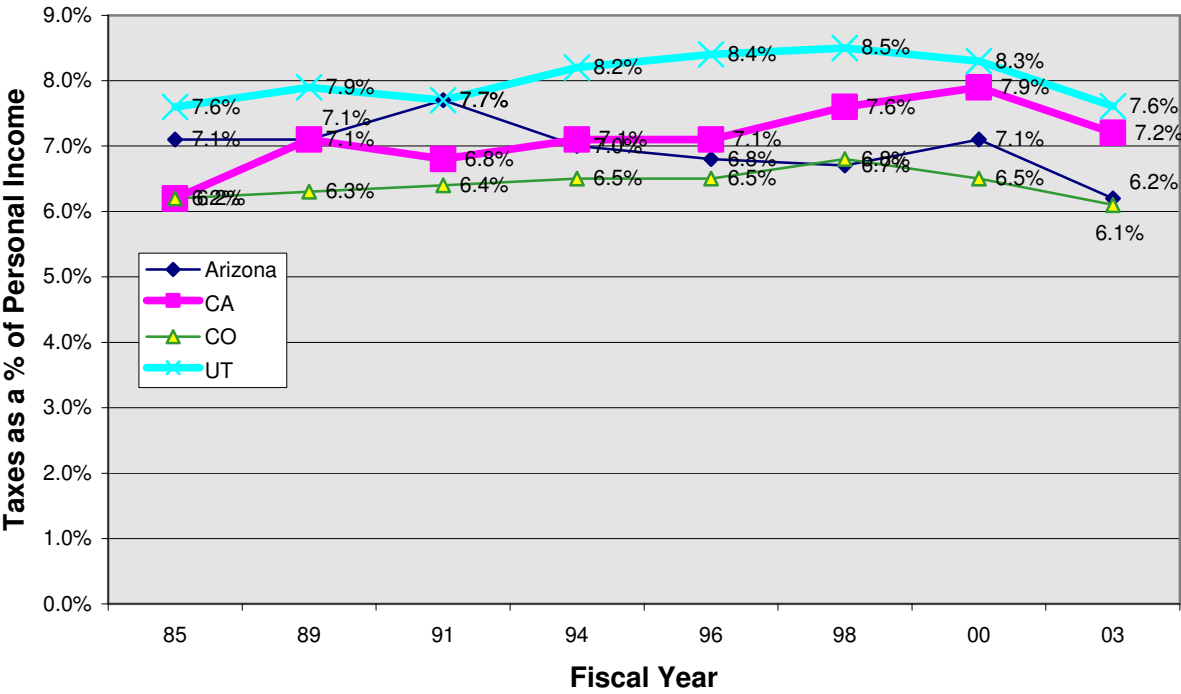
### Washington Household Tax Burdens



### Washington Business Tax Burdens



Household Tax Burdens, FY85 – FY03





Business Tax Burdens, FY85-FY03

